

BOROUGH OF DUMONT
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2012

BOROUGH OF DUMONT

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BOROUGH OF DUMONT

BERGEN COUNTY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Dumont
Dumont, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Dumont, as of December 31, 2012 and 2011, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the year ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared and presented by the Borough of Dumont on the basis of financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the requirement that the Borough of Dumont prepare and present its financial statements on the regulatory basis of accounting as discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph above, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Dumont as of December 31, 2012 and 2011, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 1 of the financial statements, the financial statements -- regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough's financial statements as of and for the years ended December 31, 2012 and 2011. The LOSAP Trust Fund financial activities are included in the Borough's Trust Funds, and represent 57 percent and 55 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2012 and 2011.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Dumont as of December 31, 2012 and 2011, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year ended December 31, 2012 in accordance with the basis of financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Required Supplementary Information

The Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to supplement the regulatory basis financial statements and therefore it has not been presented by management. Our opinion on the financial statements – regulatory basis is not affected by this missing information.

Other Information


Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of Dumont as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, schedule of expenditures of state financial assistance as required by NJ OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of Dumont.


The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2013 on our consideration of the Borough of Dumont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Dumont's internal control over financial reporting and compliance.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Gary J. Vinci
Registered Municipal Accountant
RMA Number CR00411

Fair Lawn, New Jersey
June 28, 2013

BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2012 AND 2011

ASSETS	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Cash and Investments	A-4	\$ 3,348,707	\$ 3,515,013
Change Fund	A-6	250	250
Grants Receivable	A-14	53,164	53,164
Due From State - Senior Citizens & Veterans Deductions	A-7	<u>-</u>	<u>9,059</u>
		<u>3,402,121</u>	<u>3,577,486</u>
Receivables and Other Assets With Full Reserves			
Delinquent Property Taxes Receivable	A-8	570,874	528,428
Tax Title Lien	A-9	4,331	3,663
Property Acquired for Taxes	A-10	79,526	79,526
Revenue Accounts Receivable	A-11	14,135	20,658
Due from Other Trust Fund	B-2	22	9,610
Due from Animal Control Fund	B-5	3,488	6,172
Due from General Capital Fund	C-8	23	
Due from Public Assistance Trust Fund	D-5	<u>1</u>	<u>1</u>
		<u>672,400</u>	<u>648,058</u>
Deferred Charges			
Overexpenditure of Budget Appropriation	A-13	4,728	
Emergency Authorizations	A-13		103,688
Special Emergency Authorizations	A-12	<u>200,000</u>	<u>250,000</u>
		<u>204,728</u>	<u>353,688</u>
Total Assets		<u>\$ 4,279,249</u>	<u>\$ 4,579,232</u>

BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2012 AND 2011
(Continued)

LIABILITIES, RESERVES AND FUND BALANCE	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Liabilities			
Appropriation Reserves	A-3,A-15	\$ 501,402	\$ 604,632
Encumbrances Payable	A-16	733,497	867,793
Special Emergency Note Payable	A-18	200,000	250,000
Accounts Payable	A-17	4,152	
Due to State of NJ - Senior Citizens and Veterans	A-7	691	
Other Liabilities	A-20	34,511	
Due to General Capital Fund	C-8		9,194
Miscellaneous Reserves	A-19	293,096	211,434
Prepaid Taxes	A-21	174,881	176,579
Tax Overpayments	A-22	250	250
County Taxes Payable	A-24	442	2,015
School Taxes Payable	A-23		10
Appropriated Reserves for Grants	A-25	136,879	150,167
Unappropriated Reserves for Grants	A-26	53,413	42,930
		<u>2,133,214</u>	<u>2,315,004</u>
Reserve for Receivables and Other Assets	A	672,400	648,058
Fund Balance	A-1	<u>1,473,635</u>	<u>1,616,170</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,279,249</u>	<u>\$ 4,579,232</u>

BOROUGH OF DUMONT
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
REVENUES AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,314,000	\$ 816,000
Miscellaneous Revenues Anticipated	A-2	2,566,987	2,900,478
Receipts from Delinquent Taxes	A-2	525,752	575,450
Receipts from Current Taxes	A-2	53,201,423	52,438,395
Non-Budget Revenues	A-2	235,365	248,897
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-15	377,979	298,462
Statutory Excess - Animal Control Fund	B-3	3,488	6,172
Interfunds Returned	A	15,783	
Cancellation of Prior Years Receivable	A-1		2,007
Cancellation of Accounts/Other Payable	A-19,A-23,A-24	595	3,129
		<u>58,241,372</u>	<u>57,288,990</u>
Total Revenues			
EXPENDITURES			
Municipal Budget	A-3	19,640,649	19,160,709
County Taxes	A-24	4,080,449	4,428,025
Local District School Taxes	A-23	33,334,772	32,926,525
Interfund Advance	A	3,534	54
Refund of Prior Year Revenues	A-4	2,981	8,679
Adjustment - State Audit - Senior Citizen and Veterans Deductions	A-7	12,250	
Adjustment to Tax Sale Premium	A-1		7,100
Adjustment to Reserve for Receivables	A-1	-	2,007
		<u>57,074,635</u>	<u>56,533,099</u>
Total Expenditures			
Excess in Revenues		1,166,737	755,891
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-12,A-13	4,728	353,688
Statutory Excess to Fund Balance		1,171,465	1,109,579
Fund Balance, January 1	A	1,616,170	1,322,591
		2,787,635	2,432,170
Decreased by:			
Utilization as Anticipated Revenue	A-1,A-2	1,314,000	816,000
Fund Balance, December 31	A	<u>\$ 1,473,635</u>	<u>\$ 1,616,170</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF DUMONT
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Reference</u>	<u>Budget</u>	<u>Anticipated</u> Special N.J.S. <u>40A:4-87</u>	<u>Realized</u>	<u>Excess or</u> <u>(Deficit)</u>
Fund Balance Utilized	A-1	\$ 1,314,000	-	\$ 1,314,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-11	11,000		15,072	\$ 4,072
Other	A-2,A-11	5,000		5,417	417
Fees and Permits					
Construction Code Official	A-11	130,000		147,734	17,734
Recreation Fees	A-11	50,000		40,055	(9,945)
Other	A-2, A-11	40,000		53,637	13,637
Fines and Costs - Municipal Court	A-11	165,000		175,482	10,482
Interest on Costs on Taxes	A-11	80,000		94,563	14,563
Interest on Investments and Deposits	A-2,A-11	12,000		13,309	1,309
Fire Inspections - Additional	A-11	20,000		22,275	2,275
Consolidated Municipal Property Tax Relief Aid	A-11	126,301		126,301	
Energy Receipts Tax	A-11	1,228,951		1,228,951	
Clean Community Grant	A-26	24,068		24,068	
Police Body Armor	A-26	3,397		3,397	
Recycling Tonnage Grant	A-26	15,465		15,465	
Reserve for Police Outside Services	A-11	61,016		61,016	
Sale of Cell Tower	A-11	153,000		148,061	(4,939)
General Capital Fund Balance	C-1	25,000		25,000	
Monopole Rental - DPW Building	A-11	30,000		34,253	4,253
Life Hazard Use Fees	A-11	11,000		11,044	44
Sale of Recyclables	A-11	100,000		87,731	(12,269)
PILOT - Senior Citizen Club	A-11	30,000		15,000	(15,000)
Cable Television Franchise Fees	A-11	200,000	-	219,156	19,156
Total Miscellaneous Revenues		<u>2,521,198</u>	<u>-</u>	<u>2,566,987</u>	<u>45,789</u>
Receipts from Delinquent Taxes	A-8	<u>500,000</u>	<u>-</u>	<u>525,752</u>	<u>25,752</u>
Amount to be Raised by Taxes for Support of					
Municipal Budget		15,695,757		16,166,627	470,870
Free Public Library		<u>679,575</u>	<u>-</u>	<u>679,575</u>	<u>-</u>
	A-2	<u>16,375,332</u>	<u>-</u>	<u>16,846,202</u>	<u>470,870</u>
Total General Revenues	A-3	<u>\$ 20,710,530</u>	<u>\$ -</u>	<u>21,252,941</u>	<u>\$ 542,411</u>
Non-Budget Revenues	A-2			<u>235,365</u>	
				<u>\$ 21,488,306</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF DUMONT
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

	<u>Reference</u>	
Analysis of Realized Revenues		
Allocation of Current Tax Collections		
Revenues from Collections	A-1,A-8	\$ 53,201,423
Less: Allocation to School and County Taxes	A-23,A-24	<u>37,415,221</u>
Balance for Support of Municipal Budget Appropriation		15,786,202
Add Appropriation - "Reserve for Uncollected Taxes"	A-3	<u>1,060,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 16,846,202</u>
Licenses-Other		
Borough Clerk	A-11	\$ 5,228
Board of Health	A-11	<u>189</u>
	A-2	<u>\$ 5,417</u>
Fees and Permits-Other		
Borough Clerk	A-11	\$ 12,627
Construction Code	A-11	1,870
Police	A-11	2,715
Planning and Zoning	A-11	710
Fire Prevention	A-11	15,350
Board of Health	A-11	<u>20,365</u>
	A-2	<u>\$ 53,637</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-11	\$ 13,030
Due from General Capital Fund	C-8	23
Due from Other Trust Fund	B-2	255
Due from Public Assistance Trust Fund	D-5	<u>1</u>
	A-2	<u>\$ 13,309</u>

BOROUGH OF DUMONT
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

Analysis of Non-Budget Revenue	
AT&T Tower Rental	\$ 26,217
Metro PCS Monopole Rental	24,762
FEMA Reimbursement	130,839
Miscellaneous	15,462
Admin Fee - Srs. And Veterans	3,809
Division of Motor Vehicles	1,665
Housing Inspections	1,668
LOSAP Reimbursements	1,091
6% Penalty	9,477
Prior Year Grant Reimbursement - ARRA Forestry	7,000
Workers Comp - Library 2011	3,358
Insurance Fund Dividend	<u>10,017</u>
	<u>\$ 235,365</u>

BOROUGH OF DUMONT
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Appropriated</u>		<u>Expended</u>			
	<u>2012 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Over-expenditure</u>
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT FUNCTIONS						
General Administration						
Salaries and Wages	\$ 270,364	\$ 270,227	\$ 269,227	\$ 1,000		
Other Expenses	92,900	92,900	68,647	24,253		
Postage	23,122	23,122	19,746	3,376		
Ethics Board						
Salaries and Wages	540	540	450	90		
Other Expenses	2,565	2,565	1,949	616		
Elections						
Other Expenses	14,100	14,200	14,177	23		
Financial Administration						
Salaries and Wages	159,493	159,493	159,493			
Other Expenses	112,556	112,556	48,683	63,873		
Assessment of Taxes						
Salaries and Wages	23,950	20,275	20,272	3		
Other Expenses	3,870	3,870	2,178	1,692		
Reassessment of Real Property						
Collection of Taxes						
Salaries and Wages	73,169	73,169	73,169			
Other Expenses	12,347	12,347	8,317	4,030		
Legal Services and Costs						
Borough Attorney - Other Expenses	60,000	59,000	38,783	20,217		
Other Expenses	40,000	40,000	40,000			
Engineering						
Other Expenses	60,000	60,000	48,591	11,409		
Planning Board/Zoning Board						
Salaries and Wages	2,000	1,667	1,667			
Other Expenses	10,800	10,800	7,445	3,355		
Insurance						
Unemployment Insurance	27,000	27,000	27,000			
General Liability	315,446	315,987	310,274	5,713		
Workers Compensation	292,507	292,507	292,507			
Employee Group Health	1,650,291	1,648,842	1,572,079	76,763		
Health Benefit Waiver	1,500	2,408	2,387	21		
Rent Leveling Board						
Salaries and Wages	540	540	450	90		
Other Expenses	3,200	3,200	1,015	2,185		
PUBLIC SAFETY FUNCTIONS						
Fire Department						
Other Expenses	80,000	89,600	87,957	1,643		
Life Hazard Use Fees						
Salaries and Wages	25,000	27,856	27,246	610		
Other Expenses	8,000	8,000	7,779	221		
Aid to Volunteer Fire Companies	36,100	36,100	36,100			
Rental of Fire Houses	28,000	28,000	28,000			
Fire Hydrant Services	180,107	180,707	180,690	17		

BOROUGH OF DUMONT
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Appropriated</u>		<u>Expended</u>			
	<u>2012 Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Over- expenditure</u>
PUBLIC SAFETY FUNCTIONS (Continued)						
Police Department						
Salaries and Wages	\$ 4,843,510	\$ 4,826,748	\$ 4,766,675	\$ 60,073		
Other Expenses	206,516	206,516	211,244			\$ 4,728
Police Reserve - Other Expenses	2,500	2,500	2,500			
Emergency Management	4,000	4,000	4,000			
Volunteer Ambulance Corp.						
Other Expenses	26,000	26,000	26,000			
Municipal Prosecutor						
Salaries and Wages	7,788	7,788	7,788			
Other Expenses	500					
PUBLIC WORKS FUNCTIONS						
Streets and Road Maintenance						
Salaries and Wages	1,717,171	1,729,171	1,723,763	5,408		
Other Expenses	196,300	196,300	187,337	8,963		
Recycling						
Salaries and Wages	3,800	3,854	3,854	-		
Garbage and Trash Removal						
Other Expenses	1,241,000	1,261,000	1,230,504	30,496		
Sewer System						
Other Expenses	6,000	6,000	5,814	186		
Public Building and Grounds						
Salaries and Wages	122,844	122,519	120,592	1,927		
Other Expenses	44,900	44,400	36,466	7,934		
Shade Tree						
Other Expenses	36,000	38,339	38,137	202		
HEALTH AND HUMAN SERVICES FUNCTIONS						
Board of Health						
Salaries and Wages	33,939	33,939	33,939	-		
Other Expenses	93,800	90,800	84,360	6,440		
Other Expenses-Contractual (Animal Shelter)	25,000	24,595	24,595	-		
Hepatitis Program	600					
Environmental Commission						
Other Expenses	500			-		
Administration of Public Assistance						
Salaries and Wages	5,000	5,575	5,310	265		
Other Expenses	150			-		
Aid to Community Center for Mental Health	8,000	8,000	8,000			
PARKS AND RECREATION FUNCTIONS						
Senior Citizens						
Salaries and Wages	64,602	64,602	64,398	204		
Other Expenses	15,450	15,450	13,387	2,063		
Parks and Playgrounds						
Salaries and Wages	125,385	92,385	88,843	3,542		
Other Expenses	53,600	53,600	53,600	-		

BOROUGH OF DUMONT
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012 Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserved</u>	<u>Cancelled</u>	<u>Over- expenditure</u>
OTHER COMMON OPERATING FUNCTIONS						
Celebration of Public Events						
Other Expenses	\$ 26,000	\$ 26,000	\$ 23,439	\$ 2,561		
MUNICIPAL COURT						
Salaries and Wages	132,080	132,905	132,905	-		
Other Expenses	9,900	9,900	9,505	395		
Public Defender (P.L. 1997, C.256)						
Salaries and Wages	4,867	4,305	4,305			
UNIFORM CONSTRUCTION CODE						
APPROPRIATIONS OFFSET BY DEDICATED						
REVENUES (N.J.A.C. 5:23-4-17)						
CODE ENFORCEMENT AND ADMINISTRATION						
Salaries and Wages	170,753	176,753	175,932	821		
Other Expenses	13,800	13,800	13,800			
UNCLASSIFIED						
Utilities						
Gasoline	192,000	197,000	170,042	26,958		
Electricity	165,000	151,000	127,397	23,603		
Telephone	57,000	77,000	72,605	4,395		
Street Lighting	180,000	178,500	155,649	22,851		
Water	14,500	14,000	10,129	3,871	-	-
Total Operations Within "CAPS"	13,460,222	13,462,722	13,033,092	434,358	-	\$ 4,728
Detail:						
Salaries and Wages	7,786,795	7,754,311	7,680,278	74,033	-	-
Other Expenses	5,673,427	5,708,411	5,352,814	360,325	-	4,728
DEFERRED CHARGES AND REGULATORY						
EXPENDITURES-MUNICIPAL-WITHIN "CAPS"						
Contribution to:						
Social Security System (O.A.S.I.)	335,000	332,500	324,674	7,826		
Public Employees' Retirement System	382,729	382,729	382,729			
Police and Firemen's Retirement Fund of NJ	850,076	850,076	850,076	-	-	-
Total Deferred Charges and Statutory						
Expenditures - Within "CAPS"	1,567,805	1,565,305	1,557,479	7,826	-	-
Total General Appropriations for						
Municipal Purposes within "CAPS"	15,028,027	15,028,027	14,590,571	442,184	-	4,728

BOROUGH OF DUMONT
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Appropriated</u>	<u>Budget After</u>	<u>Expended</u>			
	<u>2012 Budget</u>	<u>Modification</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Over-</u>
			<u>Charged</u>			<u>expenditure</u>
OPERATIONS - EXCLUDED FROM "CAPS"						
UTILITY EXPENSES AND BULK PURCHASES						
Bergen County Utilities Authority-Contractual	\$ 1,844,377	\$ 1,844,377	\$ 1,844,377			
EDUCATION FUNCTIONS						
Maintenance of Free Public Library	679,575	679,575	679,575			
GENERAL GOVERNMENT FUNCTIONS						
Reserve for Tax Appeals	80,000	80,000	80,000			
PUBLIC SAFETY FUNCTIONS						
Length of Service Awards Program (LOSAP)	<u>65,000</u>	<u>65,000</u>	<u>47,400</u>	<u>\$ 17,600</u>	<u>-</u>	<u>-</u>
Total Other Operations - Excluded from "CAPS"	<u>2,668,952</u>	<u>2,668,952</u>	<u>2,651,352</u>	<u>17,600</u>	<u>-</u>	<u>-</u>
PUBLIC AND PRIVATE PROGRAMS						
OFFSET BY REVENUES						
FEDERAL AND STATE GRANTS						
Clean Communities Grant						
State Share	24,068	24,068	1,312	22,756		
Recycling Tonnage Grant						
Other Expenses	15,465	15,465		15,465		
Police Body Armor						
Other Expenses	<u>3,397</u>	<u>3,397</u>	<u>-</u>	<u>3,397</u>	<u>-</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues	<u>42,930</u>	<u>42,930</u>	<u>1,312</u>	<u>41,618</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>2,711,882</u>	<u>2,711,882</u>	<u>2,652,664</u>	<u>59,218</u>	<u>-</u>	<u>-</u>
Detail:						
Other Expenses	<u>2,711,882</u>	<u>2,711,882</u>	<u>2,652,664</u>	<u>59,218</u>	<u>-</u>	<u>-</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Capital Improvement Fund	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Improvements - Excluded from "CAPS"	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

BOROUGH OF DUMONT
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012 Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>	<u>Over- expenditure</u>
MUNICIPAL DEBT SERVICE -						
EXCLUDED FROM "CAPS"						
Payment of Bond Principal	\$ 640,000	\$ 640,000	\$ 640,000			
Payment of Bond Anticipation Note Principal	54,900	54,900	54,900			
Interest on Bonds	364,609	364,609	364,609			
Interest on Notes	35,937	35,950	35,950			
Green Trust						
Loan Repayments for Principal and Interest -						
Multi-Parks	12,437	12,437	12,437			
Bergen County Improvement Authority -						
Loan Repayment	72,986	72,973	58,364		\$ 14,609	
NJEIT Loan Principal	335,618	335,618	335,618			
NJEIT Loan Interest	105,768	105,768	105,768	-	-	-
Total Municipal Debt Service - Excluded from "CAPS"	1,622,255	1,622,255	1,607,646	-	14,609	-
DEFERRED CHARGES						
Emergency Authorizations	103,688	103,688	103,688			
Special Emergency Authorizations -						
5 yrs. (N.J.S. 40A:4-55)	50,000	50,000	50,000			
Deferred Charges to Future Taxation Unfunded						
Ordinance No. 1282	1,500	1,500	1,500			
Ordinance No. 1234	46,468	46,468	46,468			
Ordinance No. 1223	6,710	6,710	6,710	-	-	-
Total Deferred Charges - Municipal	208,366	208,366	208,366	-	-	-
Excluded from "CAPS"						
Total General Appropriations for Municipal	4,622,503	4,622,503	4,548,676	\$ 59,218	14,609	-
Purposes Excluded from "CAPS"						
Subtotal General Appropriations	19,650,530	19,650,530	19,139,247	501,402	14,609	\$ 4,728
RESERVE FOR UNCOLLECTED TAXES	1,060,000	1,060,000	1,060,000	-	-	-
Total General Appropriations	\$ 20,710,530	\$ 20,710,530	\$ 20,199,247	\$ 501,402	\$ 14,609	\$ 4,728
	<u>Reference</u>	<u>A-2</u>	<u>A</u>			
Cash Disbursements	A-4		\$ 17,955,484			
Encumbrances Payable	A-16		733,497			
Due to Unemployment Insurance Trust Fund	B-7		27,000			
Due to General Capital Fund	C-8		189,578			
Emergency Authorizations	A-13		103,688			
Special Emergency Authorizations	A-12		50,000			
Reserve for Tax Appeals	A-19		80,000			
Reserve for Uncollected Taxes	A-2		1,060,000			
			<u>\$ 20,199,247</u>			

**BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Animal Control Fund			
Cash	B-1	\$ 13,301	\$ 16,321
Other Trust Fund			
Cash	B-1	559,653	527,069
Unemployment Insurance Trust Fund			
Cash	B-1	51,839	36,505
Due from Payroll Service Provider	B-11	676	639
		52,515	37,144
Length of Service Awards Program Fund (Unaudited)			
Investment	B	769,333	670,286
Contribution Receivable	B	47,400	51,000
		816,733	721,286
Total Assets		\$ 1,442,202	\$ 1,301,820

**BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Animal Control Fund			
Due to State of New Jersey	B-4	\$ 146	\$ 146
Due to Current Fund	B-5	3,488	6,172
Reserve for Animal Control Expenditures	B-3	<u>9,667</u>	<u>10,003</u>
		<u>13,301</u>	<u>16,321</u>
Other Trust Fund			
Reserve for Developers Escrow	B-6	48,993	63,665
Miscellaneous Reserves	B-8	422,299	372,666
Payroll Deductions Payable	B-9	88,339	81,128
Due to Current Fund	B-2	<u>22</u>	<u>9,610</u>
		<u>559,653</u>	<u>527,069</u>
Unemployment Insurance Trust Fund			
Due to State of New Jersey	B-10	2,609	
Reserve for Unemployment Insurance Expenditures	B-7	<u>49,906</u>	<u>37,144</u>
		<u>52,515</u>	<u>37,144</u>
Length of Service Awards Program Fund (Unaudited)			
Reserve for Length of Service Award Program	B	<u>816,733</u>	<u>721,286</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 1,442,202</u>	<u>\$ 1,301,820</u>

BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Cash	C-2, C-3	\$ 772,748	\$ 516,613
Grants Receivable	C-6	501,025	293,175
Environmental Infrastructure Trust Loans Receivable	C-7	2,479,053	3,815,000
Deferred Charges to Future Taxation			
Funded	C-4	17,938,124	18,890,743
Unfunded	C-5	5,066,088	4,904,847
Cancelled Receivables	C-9	78,581	133,259
Due from Current Fund	C-8	-	9,194
		<u> </u>	<u> </u>
Total Assets		\$ 26,835,619	\$ 28,562,831
		<u> </u>	<u> </u>
LIABILITIES, RESERVES AND FUND BALANCE			
Bond Anticipation Notes	C-13	\$ 4,025,000	\$ 2,100,000
General Serial Bonds	C-11	10,683,000	11,323,000
Pension Obligation Lease Payable	C-12	916,000	884,000
Green Trust Fund Loan Payable	C-16	165,048	174,049
Environmental Infrastructure Trust Loan Payable	C-17	6,174,076	6,509,694
Improvement Authorizations			
Funded	C-14	770,935	835,444
Unfunded	C-14	1,377,324	1,856,044
Contracts Payable	C-15	2,247,247	4,794,491
Due to Current Fund	C-8	23	
Reserve for Payment of Debt	C-10	137,310	
Reserve for Preliminary Costs	C-19	25,000	
Reserve for Grants Receivable	C-6	207,850	
Capital Improvement Fund	C-18	36,600	
Fund Balance	C-1	70,206	86,109
		<u> </u>	<u> </u>
Total Liabilities, Reserves and Fund Balance		\$ 26,835,619	\$ 28,562,831
		<u> </u>	<u> </u>

There were bonds and notes authorized but not issued of \$1,048,983 and \$2,812,742 at December 31, 2012 and 2011, respectively (Exhibit C-20).

BOROUGH OF DUMONT
COMPARATIVE STATEMENTS OF FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Balance, January 1	C	\$ 86,109	\$ 110,395
Increased by:			
Premium on Bond Anticipation Notes	C-2	<u>9,097</u>	<u>714</u>
		95,206	111,109
Decreased by:			
Anticipated as Revenue in Current Fund Budget	A-2	<u>25,000</u>	<u>25,000</u>
Balance, December 31	C	<u>\$ 70,206</u>	<u>\$ 86,109</u>

**BOROUGH OF DUMONT
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Cash	D-1	\$ 10,251	\$ 9,508
		<u>\$ 10,251</u>	<u>\$ 9,508</u>
LIABILITIES			
Due to Current Fund	D-5	\$ 1	\$ 1
Reserve for Goodwill	D-2	<u>10,250</u>	<u>9,507</u>
		<u>\$ 10,251</u>	<u>\$ 9,508</u>

**BOROUGH OF DUMONT
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
AS OF DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Land and Land Improvements	\$ 3,093,893	\$ 3,093,893
Buildings and Building Improvements	4,633,826	4,492,912
Vehicles and Equipment	<u>6,991,355</u>	<u>6,896,659</u>
	<u>\$ 14,719,074</u>	<u>\$ 14,483,464</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 14,719,074</u>	<u>\$ 14,483,464</u>

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NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Dumont have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

B. Reporting Entity

The Borough of Dumont (the "Borough") was incorporated in 1894 and operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department or volunteer ambulance squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Borough has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Borough as collateral.

Unemployment Insurance Fund - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to former eligible employees.

Length of Service Awards Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Borough.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough. The Borough's infrastructure is not reported in the account group.

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Borough of Dumont follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Grant and Similar Award Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

Trust Funds
General Capital Fund
Public Assistance Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. The Governing Body did not increase the 2012 original budget. During 2011 the Borough Council increased the original budget by \$353,688. The increases were for additional aid allotted to the Borough and emergency appropriations authorized by the Borough Council. In addition, the governing body approved several budget transfers during 2012 and 2011.

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

Appropriation Reserves – Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

2012	<u>Modified</u>	<u>Actual</u>	<u>Unfavorable</u>
Current Fund	<u>Budget</u>		<u>Variance</u>
Police Department			
Other Expenses	<u>\$206,516</u>	<u>\$211,244</u>	<u>\$4,728</u>

In accordance with the regulatory basis of accounting, the above variance or overexpenditure was recorded as a deferred charge on the Current Fund balance sheet at year end and is required to be funded in the succeeding year's budget. GAAP does not permit the deferral of overexpenditures at year end.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Property Acquired for Taxes - Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve for interfunds and, therefore, does not recognize income in the year liquidated.

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Dumont has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial individual cost of \$2,000 and an estimated useful life in excess of two years.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and sewerage and drainage systems are not capitalized.

Fixed Assets purchased after December 31, 2008 are stated as cost. Donated fixed assets over \$5,000 are recorded at estimated fair market value at the date of donation.

Fixed Assets purchased prior to December 31, 2008 are stated as follows:

Land	Estimated Historical Cost
Buildings	Assessed Value and/or Cost
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

GAAP requires that capital assets be recorded in the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available.

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of accrued revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain reclassifications have been made to the December 31, 2011 balances to conform to the December 31, 2012 presentation.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

D. Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Borough presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 2 DEPOSITS AND INVESTMENTS

The Borough considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

Deposits

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Borough is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2012 and 2011, the book value of the Borough's deposits were \$4,756,749 and \$4,621,279 and bank and brokerage firm balances of the Borough's deposits amounted to \$4,884,994 and \$5,162,070, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2012</u>	<u>2011</u>
Insured	\$ 4,884,994	\$ 5,162,070

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does have a formal policy for custodial credit risk. As of December 31, 2012 and 2011, the Borough's bank deposits were not exposed to custodial credit risk.

Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Borough or bonds or other obligations of the school districts which are a part of the Borough or school districts located within the Borough, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2 DEPOSITS AND INVESTMENTS

Investments (Continued)

As of December 31, 2012 and 2011, the Borough had the following investments:

	<u>Fair and Book Value</u>	
	<u>2012</u>	<u>2011</u>
Investment in Lincoln Financial (LOSAP)	\$ 769,333	\$ 670,286

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does have a policy for custodial risk. As of December 31, 2012 and 2011, \$769,333 and \$670,286 of the Borough's investments was exposed to custodial credit risk as follows:

	<u>2012</u>	<u>2011</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust		
department but not in the Borough's name	\$ 769,333	\$ 670,286

Interest Rate Risk – The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2012 and 2011, the Borough's investment in Lincoln Financial Group was rated Baa2, respectively, by Moody's Investor Services.

Concentration of Credit Risk – The Borough places no limit in the amount the Borough may invest in any one issuer.

The fair value of the above-listed investments were based on quoted market prices.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

NOTE 3 TAXES RECEIVABLE

Receivables at December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
<u>Current</u>		
Property Taxes	\$ 570,874	\$ 528,428
Tax Title Liens	4,331	3,663
	<u>\$ 575,205</u>	<u>\$ 532,091</u>

In 2012 and 2011, the Borough collected \$525,752 and \$575,450 from delinquent taxes, which for both years represented 99% of the prior year delinquent taxes receivable balance.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 4 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for the general capital fund projects. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Borough's debt is summarized as follows:

	<u>2012</u>	<u>2011</u>
Issued		
General		
Bonds, Notes and Loans	\$ 21,963,124	\$ 20,990,743
Less Funds Temporarily Held to		
Pay Bonds and Notes	<u>145,205</u>	<u>7,895</u>
	21,817,919	20,982,848
Authorized But Not Issued		
General		
Bonds and Notes	<u>1,048,983</u>	<u>2,812,742</u>
Net Bonds and Notes Issued and Authorized		
But Not Issued	<u>\$ 22,866,902</u>	<u>\$ 23,795,590</u>

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of 1.08% and 1.07% at December 31, 2012 and 2011, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2012</u>			
General Debt	\$ 23,012,107	\$ 1,061,205	\$ 21,950,902
School Debt	<u>17,485,000</u>	<u>17,485,000</u>	<u>-</u>
Total	<u>\$ 40,497,107</u>	<u>\$ 18,546,205</u>	<u>\$ 21,950,902</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2011</u>			
General Debt	\$ 23,803,485	\$ 891,895	\$ 22,911,590
School Debt	<u>18,520,000</u>	<u>18,520,000</u>	<u>-</u>
Total	<u>\$ 42,323,485</u>	<u>\$ 19,411,895</u>	<u>\$ 22,911,590</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 4 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

The Borough's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2012</u>	<u>2011</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 70,914,227	\$ 74,803,273
Net Debt	<u>21,950,902</u>	<u>22,911,590</u>
Remaining Borrowing Power	<u>\$ 48,963,325</u>	<u>\$ 51,891,683</u>

Long-Term Debt

The Borough's long-term debt consisted of the following at December 31:

General Obligation Bonds

The Borough levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2012</u>	<u>2011</u>
\$2,973,000, 1999 Bonds, due in an annual installment of \$403,000 through February 13, 2013, interest at 5.05%	\$ 403,000	\$ 763,000
\$3,250,000, 2003 Bonds, due in annual installments of \$160,000 to \$610,000 through May 1, 2016, interest at 3.25% - 3.55%	1,950,000	2,130,000
\$8,530,000, 2010 Bonds, due in annual installments of \$100,000 to \$1,095,000 through July, 2025, interest at 1.5% - 4.0%	<u>8,330,000</u>	<u>8,430,000</u>
	<u>\$ 10,683,000</u>	<u>\$ 11,323,000</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt (Continued)

Intergovernmental Loans Payable

The Borough has entered into loan agreements with the New Jersey Green Trust and the Environmental Infrastructure Trust Funds. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. Intergovernmental loans outstanding at December 31 are as follows:

	<u>2012</u>	<u>2011</u>
Green Trust Fund		
\$200,000, Bonds, due in semi-annual installments of \$4,478 to \$6,157 through 2028, interest at 2%	\$ 165,048	\$ 174,049
Total Green Trust Fund	<u>\$ 165,048</u>	<u>\$ 174,049</u>
	<u>2012</u>	<u>2011</u>
Environmental Infrastructure Trust		
\$1,675,000 Trust Loan, due in annual installments of \$70,000 to \$125,000 through 2027, interest at 3.4% to 5.0%	\$ 1,425,000	\$ 1,490,000
\$1,572,000 Fund Loan, due in semi-annual installments of \$1,681 to \$82,939 through 2027 interest free	1,258,540	1,341,480
\$965,000 Trust Loan, due in annual installments of \$35,000 to \$70,000 through 2029, interest at 3.5% to 5.0%	895,000	930,000
\$2,850,000 Fund Loan, due in semi-annual installments of \$50,893 and \$101,786 through 2029, interest free	<u>2,595,536</u>	<u>2,748,214</u>
Total Environmental Infrastructure Trust	<u>6,174,076</u>	<u>6,509,694</u>
Total Intergovernmental Loans	<u>\$ 6,339,124</u>	<u>\$ 6,683,743</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2012 is as follows:

Calendar Year	General Bonds		Intergovernmental Loans					
	Principal	Interest	Environmental Infrastructure		Green Trust		Total	
			Principal	Interest	Principal	Interest		
2013	\$ 663,000	\$ 338,106	\$ 342,384	\$ 101,808	\$ 9,181	\$ 3,255	\$ 1,457,734	
2014	680,000	313,943	345,833	97,608	9,366	3,071	1,449,821	
2015	700,000	291,805	352,402	93,088	9,554	2,882	1,449,731	
2016	710,000	268,628	358,193	87,338	9,746	2,690	1,436,595	
2017	750,000	255,800	360,663	81,338	9,942	2,494	1,460,237	
2018-2022	4,120,000	975,375	1,904,387	313,540	52,790	9,394	7,375,486	
2023-2027	3,060,000	248,550	2,064,864	142,565	58,312	3,870	5,578,161	
2028-2029	-	-	445,350	8,400	6,157	62	459,969	
Total	\$ 10,683,000	\$ 2,692,207	\$ 6,174,076	\$ 925,685	\$ 165,048	\$ 27,718	\$ 20,667,734	

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2012 and 2011 were as follows:

	Balance, December 31, 2011	Additions	Reductions	Balance, December 31, 2012	Due Within One Year
<u>2012</u>					
General Capital Fund					
Bonds Payable	\$ 11,323,000		\$ 640,000	\$ 10,683,000	\$ 663,000
Intergovernmental Loans Payable	6,683,743	\$ -	344,619	6,339,124	351,565
General Capital Fund Long-Term Liabilities	<u>\$ 18,006,743</u>	<u>\$ -</u>	<u>\$ 984,619</u>	<u>\$ 17,022,124</u>	<u>\$ 1,014,565</u>
	Balance, December 31, 2010	Additions	Reductions	Balance, December 31, 2011	Due Within One Year
<u>2011</u>					
General Capital Fund					
Bonds Payable	\$ 11,938,000		\$ 615,000	\$ 11,323,000	\$ 640,000
Intergovernmental Loans Payable	6,982,826	\$ -	299,083	6,683,743	344,619
General Capital Fund Long-Term Liabilities	<u>\$ 18,920,826</u>	<u>\$ -</u>	<u>\$ 914,083</u>	<u>\$ 18,006,743</u>	<u>\$ 984,619</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

Bond Anticipation Notes

The Borough's short-term capital debt activity for the years ended December 31, 2012 and 2011 was as follows:

Ord. No.	Improvement Description	Interest Rate	Date of Maturity	Balance, December 31, 2011	Increased	Decreased	Balance, December 31, 2012
1323	Reconstruction of Pershing	1.50%	6/29/2012	\$ 150,000		\$ 150,000	
		1.20%	6/27/2013		\$ 124,000		\$ 124,000
1393	Various General Improvements	1.50%	6/29/2012	760,000		760,000	
		1.20%	6/27/2013		731,100		731,100
1409	Library and Senior Center Handicap	1.50%	6/29/2012	213,750		213,750	
		1.20%	6/27/2013		73,291		73,291
1416	Park Improvements	1.50%	6/29/2012	174,800		174,800	
		1.20%	6/27/2013		174,800		174,800
1421	Various Capital Improvements	1.50%	6/29/2012	801,450	-	801,450	
		1.20%	6/27/2013		807,500		807,500
1431	DPW Garage Site Improvements	1.20%	6/27/2013		228,000		228,000
1432	Storm Sewer Improvements - Phase III	1.20%	6/27/2013		218,500		218,500
1434	Various Capital Improvements	1.20%	6/27/2013		414,284		414,284
1436	Various Storm Water Sewer Improvements	1.20%	6/27/2013		114,000		114,000
1438	Various Improvements - Twin Boro Field	1.20%	6/27/2013	-	1,139,525	-	1,139,525
				<u>\$ 2,100,000</u>	<u>\$ 4,025,000</u>	<u>\$ 2,100,000</u>	<u>\$ 4,025,000</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	<u>Interest</u> <u>Rate</u>	<u>Date of</u> <u>Maturity</u>	Balance, December 31, <u>2010</u>	<u>Increased</u>	<u>Decreased</u>	Balance, December 31, <u>2011</u>
1323	Reconstruction of Pershing	1.53%	7/5/2011	\$ 150,000		\$ 150,000	
		1.50%	6/29/2012		\$ 150,000		\$ 150,000
1393	Various General Improvements	1.53%	7/5/2011	760,000		760,000	
		1.50%	6/29/2012		760,000		760,000
1409	Library and Senior Center Handicap	1.50%	6/29/2012		213,750		213,750
1416	Park Improvements	1.50%	6/29/2012		174,800		174,800
1421	Various Capital Improvements	1.50%	6/29/2012	-	801,450	-	801,450
				<u>\$ 910,000</u>	<u>\$ 2,100,000</u>	<u>\$ 910,000</u>	<u>\$ 2,100,000</u>

The purpose of these short-time borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

In addition to the debt shown in the above schedule, municipalities may issue debt to meet cash flow needs to temporarily finance operating expenditures. This debt which is not included in the Borough's regulatory debt limit calculation is reported in the Current Fund for the years 2012 and 2011 as follows:

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 4 MUNICIPAL DEBT (Continued)

Special Emergency Notes

Following the adoption of an ordinance or resolution for special emergency appropriations (reassessment of real property), the Borough may borrow money and issue special emergency notes which may be renewed from time to time, but at least 1/5 of all such notes and the renewal thereof, shall mature and be paid in each year so that all notes have been paid by the end of the fifth year following the date of the special emergency resolution.

	Balance, December 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Special Emergency Notes	\$ 250,000	\$ 200,000	\$ 250,000	\$ 200,000
	<u>\$ 250,000</u>	<u>\$ 200,000</u>	<u>\$ 250,000</u>	<u>\$ 200,000</u>
	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Special Emergency Notes	\$ -	\$ 250,000	\$ -	250,000
	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2012 and 2011.

	Balance December 31, <u>2011</u>	<u>Additions</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Land	\$ 3,093,893			\$ 3,093,893
Buildings and Building Improvements	4,492,912	\$ 140,914		4,633,826
Machinery and Equipment	<u>6,896,659</u>	<u>94,696</u>	<u>-</u>	<u>6,991,355</u>
	<u>\$ 14,483,464</u>	<u>\$ 235,610</u>	<u>\$ -</u>	<u>\$ 14,719,074</u>
	Balance December 31, <u>2010</u>	<u>Additions</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Land	\$ 3,093,893			\$ 3,093,893
Buildings and Building Improvements	4,179,516	\$ 313,396		4,492,912
Machinery and Equipment	<u>6,277,706</u>	<u>618,953</u>	<u>-</u>	<u>6,896,659</u>
	<u>\$ 13,551,115</u>	<u>\$ 932,349</u>	<u>\$ -</u>	<u>\$ 14,483,464</u>

NOTE 6 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 3,534		\$ 15,783	\$ 9,194
Animal Control Fund		\$ 3,488		6,172
Other Trust Fund		22		9,610
General Capital Fund		23	9,194	
Public Assistance Fund	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total	<u>\$ 3,534</u>	<u>\$ 3,534</u>	<u>\$ 24,977</u>	<u>\$ 24,977</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 6 DUE TO/FROM OTHER FUNDS

The interfund balances are the result of expenditures being paid by one fund on behalf of another, revenues earned in one fund but owing to another fund and/or to cover cash balances which were in an overdraft position.

The Borough expects all interfund balances to be liquidated within one year.

NOTE 7 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balance in the Current Fund is comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	Fund Balance December 31, <u>2012</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2011</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 1,415,743	\$ 1,178,971	\$ 1,450,259	\$ 1,314,000
Non-Cash Surplus	<u>57,892</u>	<u>-</u>	<u>165,911</u>	<u>-</u>
	<u>\$ 1,473,635</u>	<u>\$ 1,178,971</u>	<u>\$ 1,616,170</u>	<u>\$ 1,314,000</u>

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	Balance <u>December 31,</u>	Subsequent Year Budget <u>Appropriation</u>	<u>Balance</u>
<u>2012</u>			
Current Fund			
Overexpenditure of Budget Appropriation	\$ 4,728	\$ 4,728	
Special Emergency Authorization (40A:4-55)	<u>200,000</u>	<u>50,000</u>	<u>\$ 150,000</u>
	<u>\$ 204,728</u>	<u>\$ 54,728</u>	<u>\$ 150,000</u>
<u>2011</u>			
Current Fund			
Emergency Authorization	\$ 103,688	\$ 103,688	
Special Emergency Authorization (40A:4-55)	<u>250,000</u>	<u>50,000</u>	<u>\$ 200,000</u>
	<u>\$ 353,688</u>	<u>\$ 153,688</u>	<u>\$ 200,000</u>

NOTE 9 COMPENSATED ABSENCES

Under the existing policies and labor agreements of the Borough, employees are allowed to accrue unused vacation benefits, personal, sick leave which may be taken as time off or paid upon retirement at an agreed upon rate.

It is estimated that the current cost of such unpaid compensation and salary related payments would be approximately \$3,332,300 and \$3,072,000 at December 31, 2012 and 2011, respectively. These amounts which are considered material to the financial statements are not reported either as an expenditure or liability.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Borough employees who are eligible for pension coverage.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Borough employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.5 percent and \$11.6 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included: (a) a revised investment rate of return for all the retirement systems from 8.25 percent to 7.95 percent; and (b) revised projected salary increases which vary by fund (6.32% for PFRS and 4.52% for PERS)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the fiscal year ended June 30, 2012 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2012, 2011 and 2010, the Borough was required to contribute for normal cost pension contributions, accrued liability pension contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each year:

<u>Year Ending</u> <u>December 31,</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2012	\$ 850,076	\$ 382,729	\$ 713
2011	876,940	354,444	
2010	776,701	271,424	

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the Borough.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher's Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as a Health Benefits Program Fund –Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 566 state and local participating employers and contributing entities for Fiscal Year 2012.

The State of New Jersey sponsors and administers the following health benefit program covering substantially all local government employees from local participating employers.

Health Benefits Program Fund (HBPF) – Local Government (including Prescription Drug Program Fund) – Certain local employers who participate in the State Health Benefits Program provide health insurance coverage to their employees at retirement. Under provisions of P.L. 1997, c.330, the State of New Jersey provides partially funded benefits to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Health Benefits Program Fund (HBPF) – Local Government (Continued)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the State had a \$48.9 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$18.0 billion for state active and retired members and \$30.9 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Methods and Assumptions

In the July 1, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contribution

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2012, there were 97,661 retirees receiving post-retirement medical benefits and the State contributed \$958.9 million on their behalf. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$112.6 million for 8,810 eligible retired members for Fiscal Year 2012. This benefit covers the Police and Firemen's Retirement System.

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$36.6 million in Fiscal Year 2012 to provide benefits under Chapter 330 to qualified retirees.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Borough's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2012, 2011 and 2010 were \$268,609, \$296,149 and \$309,888, respectively, which equaled the required contribution. In addition, the Borough's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2012, 2011 and 2010 were \$1,869, \$3,209 and \$3,436, respectively.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 12 RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; termination of employees and natural disasters. The Borough has obtained commercial insurance coverage to guard against these events to minimize the exposure to the Borough should they occur.

The Borough of Dumont is a member of the Bergen County Municipal Joint Insurance Fund (BJIF) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The BJIF and MEL coverage amounts are on file with the Borough.

The relationship between the Borough and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Borough is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough's Unemployment Compensation Trust Fund for the current and previous two years:

<u>Year Ended</u> <u>December 31</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2012	\$ 27,000	\$ 9,657	\$ 23,928	\$ 49,906
2011	27,000	9,616	28,106	37,144
2010	44,000	9,733	53,621	28,611

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 13 CONTINGENT LIABILITIES

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In 2009, the Borough settled a lawsuit with a former employee for \$530,000. The Borough's uninsured exposure as negotiated with the Bergen Municipal Excess Liability Fund (the "MEL") was \$165,000. This settlement is payable to the MEL over six years with a \$30,000 payment due in 2011 and annual payments of \$27,000 due in 2012 through 2015.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2012 and 2011. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2012 and 2011, the Borough reserved \$93,266 and \$74,687, respectively, in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2012 and 2011, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 14 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2012 and 2011, the Borough had not calculated its arbitrage earnings due to the IRS, if any.

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 15 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Borough had the following commitments with respect to unfinished capital projects:

	<u>Commitment</u>	<u>Estimated Date of Completion</u>
<u>2012</u>		
Storm Sewer/Drainage Improvements	\$ 2,143,763	2013
Improvements to Howard Street	28,938	2013
Improvements to DePew Street	28,000	2013
Improvements to Memorial Park Concession Hut	28,693	2013
Improvements to Twin Boro Field Remediation	57,500	2013
<u>2011</u>		
Storm Sewer/Drainage Improvements	\$ 175,187	2012
Improvements to Howard Street	28,938	2013
Improvements to Library Roof	19,054	2012
Improvements to Memorial Park Concession Hut	24,390	2013
Improvements to Short Street	31,008	2012
Improvements to Bussell Court	49,820	2012
Improvements to DPW Remediation	62,077	2012
Fire Gear	25,000	2012
Improvements to Twin Boro Field Remediation	1,134,682	2013
Various Storm Sewer/Drainage Improvements	3,084,313	2012

BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 16 PENSION OBLIGATION LEASE AGREEMENT

The Borough previously entered into an agreement with the Bergen County Improvement Authority ("BCIA") for the retirement for its outstanding unfunded pension liability totaling \$958,000. The Borough issued refunding revenue bonds totalling \$882,000 through the BCIA during 2012. The following is the schedule of the future minimum lease payments and the present value of the net minimum lease payment at December 31, 2012:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2013	\$ 69,036
2014	74,943
2015	79,521
2016	84,861
2017	89,864
2018-2022	421,703
2023	<u>254,125</u>
Total. Minimum Lease Payments	1,074,053
Less: Amounts Representing Interest	<u>158,053</u>
Present Value of Net Minimum Lease Payments	<u>\$ 916,000</u>

NOTE 17 HURRICANE SANDY

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The Borough has incurred significant costs in the clean up and recovery from this federal disaster. The Federal Emergency Management Agency ("FEMA") provides emergency grant assistance (voluntary nonexchange transaction) to help government's cope with losses. Although the Borough has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of December 31, 2012. As of December 31, 2012, the Borough had not received any FEMA reimbursements relating to Hurricane Sandy.

NOTE 18 SUBSEQUENT EVENTS

On June 18, 2013, the Borough adopted a bond ordinance authorizing the issuance \$155,000 in Bonds or Bond Anticipation Notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

On June 26, 2013, the Borough issued bond anticipation notes in the amount of \$4,860,000 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to TD Securities at an interest rate of 1%. These notes dated June 26, 2013 will mature on June 25, 2014.

**BOROUGH OF DUMONT
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 19 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The Borough of Dumont Length of Service Award Program (the Plan) was created by a Borough ordinance pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Dumont approved the adoption of the Plan at the general election held on November 2, 2001.

The first year of eligibility for entrance into the Plan was calendar year 2002. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Borough of Dumont has contributed \$47,400 and \$51,000 for 2012 and 2011, respectively, for eligible volunteer fire department and ambulance corp. members into the Plan.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Borough has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries. All earnings, dividends and other distributions of the account shall be automatically reinvested.

Lincoln Financial Group is the administrator of the plan. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

Vesting and Benefits

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Borough perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Borough's Trust Fund.

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